

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-03

INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03 SP-02

CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04

CEA-01 L-03 H-02 PA-01 PRS-01 /087 W

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R 031738Z JUL 75

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 2596

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

AMEMBASSY LUXEMBOURG

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AMCONSUL BELFAST

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AMCONSUL LIVERPOOL

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E.O. 11652: N/A

TAGS: PGOV, PINT, UK

SUBJECT: PLP BECOMING INCREASINGLY RESTIVE

REF: LONDON 10191

SUMMARY - THERE ARE INCREASING SIGNS OF INCIPIENT REBEL-
LION IN PARLIAMENTARY LABOR PARTY (PLP) RANKS OVER ISSUES
IDENTIFIED IN REFTEL -- THE INDUSTRY BILL, THE GOVERN-
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MENT'S PLANS TO CONTROL INFLATION AND PAY INCREASES FOR

MPS. A FRACTIOUS PLP, OF COURSE, COULD BRING DOWN THE LABOR GOVERNMENT. WHILE THE SITUATION IS BY NO MEANS CRITICAL, THESE DEVELOPMENTS AGAIN ILLUSTRATE THE POLITICAL CONSTRAINTS FACING THE PRIME MINISTER AND HIS GOVERNMENT. END SUMMARY.

1. THE GROWING REBELLIOUS SPIRIT IN THE PLP WAS UNDERSCORED JULY 2 WHEN DISSIDENT LEFT-WINGERS JOINED WITH TORIES TO DEFEAT GOVERNMENT ON TWO AMENDMENTS TO INDUSTRY BILL, AND CONTINUED TO VOTE AGAINST GOVERNMENT ON SERIES OF AMENDMENTS DESIGNED, INTER ALIA, TO ELIMINATE CHANGES INTRODUCED IN COMMITTEE STAGE. FIRST GOVERNMENT DEFEAT SUSTAINED COMMITTEE AMENDMENT PROVIDING ACCESS TO TREASURY INFORMATION ON ECONOMIC PROJECTIONS BY 71 VOTE MARGIN (149 TO 220). SECOND DEFEAT SUSTAINED COMMITTEE AMENDMENT REQUIRING TREASURY TO MAINTAIN MACRO-ECONOMIC MODEL TO ASSESS IMPACT OF ALTERNATIVE POLICIES AND ASSUMPTIONS. MARGIN WAS 83 VOTES (147/230).

2. PRESS REPORTS EMPLOYMENT SECRETARY MICHAEL FOOT, ENERGY SECRETARY TONY BENN AND SOCIAL SERVICES SECRETARY BARBARA CASTLE ARE ATTEMPTING TO DEVISE COMPROMISE FORMULA ON HEALEY'S THREATENED STATUTORY INCOMES POLICY (REFTEL AND PREVIOUS). THEY ARE ALSO REPORTEDLY PUSHING FOR SPECIAL MEETING OF LABOR PARTY NATIONAL EXECUTIVE COMMITTEE TO CONSIDER INCOMES POLICY ISSUE. TRIBUNE GROUP ALSO MET JULY 2, WITH 30 MEMBERS APPROVING STATEMENT WHICH REITERATED GROUP'S OPPOSITION TO STATUTORY POLICY AND ASSERTED THAT TRIBUNITES "WILL UNDOUBTEDLY OPPOSE ANY SUCH LEGISLATION".

3. ON PAY FRONT, WHERE DISSIDENTS COVER ENTIRE PLP IDEOLOGICAL SPECTRUM, SOME 50 BACKBENCHERS THREATENED TO BOYCOTT COMMITTEES AND RESPOND ONLY TO THREE LINE WHIPS (MUST VOTE, MUST SUPPORT GOVERNMENT) UNLESS THEY RECEIVE THE PAY INCREASES RECOMMENDED BY BOYLE REPORT WHICH ARE BELIEVED TO BE IN 2000 POUND RANGE (MP'S CURRENT SALARY IS 4,500 POUNDS). REPRESENTATIVES OF THIS GROUP REPORTEDLY MET WITH PRIME MINISTER WILSON WHO PROMISED CABINET

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WOULD CONSIDER BOYLE REPORT AT ITS JULY 3 MEETING.

4. COMMENT: THESE DEVELOPMENTS CLEARLY HIGHLIGHT VERY REAL POLITICAL CONSTRAINTS AFFECTING WILSON GOVERNMENT. GROWING FRAGMENTATION AND RESISTANCE TO GOVERNMENT POLICIES HAVE THE POTENTIAL TO DESTROY THE GOVERNMENT. THE CURRENT SITUATION, HOWEVER, IS BY NO MEANS BEYOND SALVATION -- IT WILL JUST REQUIRE A LOT OF EFFORT AND CONSIDERABLE SKILL. AMENDMENTS TO THE INDUSTRY BILL ARE NOT LIMITED OFFICIAL USE

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SUBSTANTIVELY SIGNIFICANT, AND WHEN IT COMES TO THE FINAL

VOTE THE LEFT-WING IS ALMOST CERTAIN TO REALIZE THAT AN
INDUSTRY BILL WITH WHICH IT IS NOT IN TOTAL ACCORD IS
STILL BETTER THAN NO BILL AT ALL. ON THE PAY ISSUE, MPS
HAVE A STRONG CASE FOR SUBSTANTIAL INCREASE ON GROUNDS
OF SIMPLE EQUITY. A LARGE INCREASE AT THIS TIME, JUST AS
THE GOVERNMENT HAS ANNOUNCED ITS DETERMINATION TO HOLD
INCREASES IN WAGES AND DIVIDENDS TO LESS THAN TEN PERCENT
IN THE COMING TWELVE MONTHS, WOULD HARDLY GO DOWN WELL
WITH THE PUBLIC. TO DO LESS WILL RISK BACKBENCH BACK-
LASH. ACCORDING TO OUR SOURCES, THE SOLUTION WILL PRO-
BABLY TAKE THE FORM OF A RELATIVELY SMALL INCREASE NOW
(SAY 500 POUNDS), WITH THE GOVERNMENT COMMITTING ITSELF
TO RELEASE THE BALANCE IN TWELVE MONTHS. THE REAL CRUNCH,
HOWEVER, WILL COME ON THE INCOMES POLICY QUESTION, AND
WE WILL BE REPORTING FURTHER ON THAT SUBJECT.

RICHARDSON

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